

TIMEX

ANNUAL REPORT 2018
TIMEX GROUP INDIA LIMITED

**21 JEWEL
AUTOMATIC**



NAUTICA

TM



ANNIVERSARY
NAUTICA WATCHES



Board of Directors

David Thomas Payne	Non-Executive Director & Chairman
Tobias Reiss Schmidt	Non-Executive Director & Vice Chairman
Sharmila Sahai (Ms.)	Managing Director
Anil Malhotra	Non-Executive Director
Daya Dhaon	Non-Executive & Independent Director
Gagan Singh (Ms.)	Non-Executive & Independent Director
Pradeep Mukerjee	Non-Executive & Independent Director
Bijou Kurien	Non-Executive & Independent Director

CFO

Amit Jain

GM Legal & Company Secretary

Dhiraj Kumar Maggo

Bankers

J.P. Morgan Chase Bank NA
HDFC Bank Limited

Auditors

Deloitte Haskins and Sells LLP,
Chartered Accountants

Registered Office

106-107, Ambadeep, 14, Kasturba Gandhi Marg,
New Delhi – 110001

Works

Plot No.10
Baddi Industrial Area
Katha Bhatoli
Baddi, Distt. Solan (H.P)

**Registrar & Share
Transfer Agent**

Alankit Assignments Limited
2E/21 Alankit House
Jhandewalan Extension
New Delhi 110 055
Tel.: 011-42541234
Fax: 011-42541967
Email: rta@alankit.com
Website : www.alankit.com

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DIRECTORS' REPORT

To the Members of Timex Group India Limited

The Directors are pleased to present the Thirtieth Annual Report and Audited Statement of Accounts for the year ended 31st March 2018.

FINANCIAL RESULTS AND PERFORMANCE

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from April 1, 2017, in terms of the notification dated February 16, 2015 issued by the Ministry of Corporate Affairs. Accordingly, financial statements for the year ended and as at March 31, 2017 have been restated to conform to Ind AS. More details on transition to Ind AS have been given in Note no. 34 to the financial statement.

	Rs. in Lakhs	
Particulars	2017-18	2016-17
Revenue from operations (including other income)	21,015	20,062
Profit before Interest and Depreciation	1,107	109
Less: Interest	210	277
Less: Depreciation	167	207
Profit/ Loss for the year	730	(375)

The year 2017-18 saw many challenges and surprises including subdued consumer demand due to impact of demonetisation, end of excise holiday period for the Company's plant at Baddi, uncertainties due to introduction of Goods and Services Tax (GST), change in GST rate on watches in November 2017 from 28% to 18%, increase in custom duty on imported watches and consequent impact on the product pricing etc. In spite of all these challenges, the Company has witnessed robust performance during the year 2017-18. The Revenue from Operations (including other income) during the year 2017-18 stood at INR 21,015 Lakh. The reported revenue growth figures are understated as the erstwhile excise duty equivalent also gets subsumed in the revenue component hence reducing the revenue growth. The revenue has grown by 14%, if the figures are re-stated for excise duty and GST. The net profit for the year was Rs. 730 Lakhs as against loss of Rs. 375 Lakhs in the previous year.

The difficult conditions were managed with meticulous planning and the focus was totally on long term thinking rather than short term gains. The Company passed on the benefits of GST rate reduction to the consumer with minimum disruption to the trade. The production and purchase teams rose to the occasion and managed the transitions proactively. The finance team supported in educating the vendor base and helped in getting the IT infrastructure ready.

The sales team showed resourcefulness to manage changes with minimum impact to the trade and consumers. While the watch market trend was to liquidate Company's inventory by heavy discounting, our sales team focused on sell out of trade inventory and maximising Company's profits.

All sales channels, except Canteen Stores Dept. (CSD) and B2B, continued their improved performance and contributed to the revenue growth during the year. Distribution channel continued to be the main contributor to the revenue. The new age channels, E-commerce and Omni Channel, are growing as per the plans.

The Company followed its two-pronged product strategy of sustaining its traditional product portfolio and strengthening its fashion portfolio by launching premium stainless steel watches

and technology products. The new collections developed by the Company have been well accepted both in Indian and international markets which have helped in improving the average selling price as well as increasing the sales to Group Companies globally. The Company also added new premium brands i.e. Gant, Cerruti 1881 and Nautica, in its traded brand portfolio which has also further strengthened the fashion portfolio in the price range of INR 10,000 – 25,000.

The Company, in collaboration with an Indian technology start up, developed a fitness band, which is a combination of fitness, safety and fashion and has several distinguished features including stainless steel case, premium mesh, leather and sports straps, SOS feature etc. This product saw a huge success and was highly appreciated. More such tech products will be rolled out in near future in line with the expectations of the young and tech oriented consumer segment.

During the year, the Company started online sales of its products through its website www.timexindia.com, a direct sales channel for sale of Company's products to the ultimate consumer.

The Company has also forayed into distribution of writing instruments, under premium 'Versace' brand, which will enjoy the synergies of well established distribution channel of the Company.

To support the sluggish consumer demand due to impact of demonetisation and GST, an impactful multimedia advertising campaign and tactical seasonal campaign was used throughout the year. The launch of new Timex I Blink fitness band witnessed remarkable success and was one of the best advertising campaigns of the year. Other licensed watch brands like Versus, Versace and Salvatore Ferragamo also grew significantly, backed by in-store presence and selective advertising and PR campaigns.

The Company continued to focus on increasing operational efficiencies, better working capital management, increased supply chain capability and efficiency and control costs. Closure of 11 warehouses, with the introduction of GST, contributed to cost saving and improving operational efficiencies.

On the people front, the company continued to invest in employee development and enhancement of skills. Various employee engagement activities were organised at all locations throughout the year to keep the employees fully engaged and motivated. Salary benchmarking and revision was done for the critical positions. In order to ensure seamless availability of strong leadership, the Company has decided to embark upon a succession planning journey for critical roles at the senior leadership.

We kick started the calendar year 2018 by organising a meeting with trade partners to share our vision for the next three years. Global Chairperson, CEO, CFO and other senior executive attended the event and shared their confidence in the India market and their continued support for the India team.

Dividend

In view of the accumulated losses, the Board of Directors has not recommended any dividend for this year.

MANAGEMENT DISCUSSION AND ANALYSIS INDIAN ECONOMY

Reserve Bank of India expects the Indian economy to grow at 6.6% during the FY 2017-18 and 7.2% during 2018-19 as the roll-out of GST stabilises and credit off take improves. Good monsoon, inflation at sub 5%, buoyant consumer confidence, lower tax rates post GST, significant number of consumer promotions are the tailwinds that have helped the economy grow. There are early signs of revival in investment activity as reflected in improving credit offtake, large resource mobilisation from the primary capital market, and improving capital goods production and imports. The process of recapitalisation of public

sector banks has gone underway and large distressed borrowers are being referenced for resolution under the IBC. Export growth is expected to improve further on account of improving global demand.

As per International Monetary Fund's (IMF) latest forecast, India's economy is forecast to grow 7.4% in the FY19 from 6.7% in FY18 and accelerate further in FY20 to 7.8%. There will be a gradual increase in India's growth rate as structural reforms raise potential output.

It is expected that the higher economic growth will be coupled with increased purchasing power and strong private consumption which will boost the demand for watches as well as writing instruments going forward.

OVERVIEW OF WATCH INDUSTRY

The fiscal 2017-18 has been a good year for the watch industry despite the impact of demonetisation and introduction of GST, changes in GST rate and custom duty on imported watches.

Demonetisation and PAN disclosure for watches above Rs. 2,00,000 has impacted the luxury watch market. However, with the new international brands coming to India, industry is witnessing innovative distribution practices and realignment of market share.

The watch industry is expected to grow at a healthy rate on account of factors such as increasing purchasing power, introduction of new brands and wearable technology, improved distribution in Tier 3 and Tier 4 markets, increased activity of online e-commerce players etc. Fashion oriented young customer is increasingly buying watches which suit their lifestyles. This category of watches has been the fastest growing segment in the watch industry with the support of large format department store, boutique and mall led distribution and larger advertising spends.

Counterfeit and infringement of brands and intellectual property rights has posed a big problem for the industry and the industry as a whole has to deal with it. This is not only harmful for the brand owners but also for the customer who get the fake products and involves in unsolicited litigation. For protection of Company's IPR and customers, the Company has been taking various measures including civil action and raids at the premises of such unscrupulous operators, customer awareness about fake products etc.

GROWTH DRIVERS OF THE COMPANY

The Company has been growing at a faster rate than the industry and is focused at maintaining this growth while ensuring returns for all its stakeholders. With a view to achieve sustained growth in the fast-changing business environment and the growing competition, the Company has laid down well thought plans and has identified the following key growth drivers:

Product portfolio:

The Company continues to focus on all consumer segments by bringing innovative products with cutting edge design and globally renowned brands to the Indian consumer.

The two growth drivers in the Indian watch industry are fashion and youth segments.

We launched Versus by Versace in the fashion segment in the previous years and we are now strengthening the segment by introducing fashion brands Nautica, Gant and Cerruti 1881 in the Rs. 10,000 to 25,000 price segment.

Youth brand Helix continues to appeal to the millennials and Gen Z of India, with its refreshingly unique design language. The Company is focused on enhancing the brand through investments in innovative marketing and retail execution.

We also see growth coming from the technology segment and will be enhancing our existing offering to further strengthen our tech oriented products. The launch of Timex Blink was an industry first at its price point with a stainless steel body, and fashionable variants such as rose gold.

In addition to the above, the Company is addressing the ethnic women segment with the launch of its high end 'Fria' collection.

Enhancing the distribution footprint and increasing points of Sale:

Increasing the distribution footprint has been a key focus area for the Company. Strengthening Company's presence in Tier 2 and Tier 3 markets will drive the growth. Growth will also come from improvement in our counter share in large format stores and opening new showrooms.

In sync with the new way of working of the CSD channel, our focus will be to refresh and enhance our product portfolio to drive increased contribution from this channel. To increase sell through, we will be investing in better presentation of our products in the canteens.

The E-commerce market is expected to grow exponentially with the increased penetration of internet and smart phone. To seize the opportunity in the growing E-commerce market, Timex will continue its collaboration with all the key players in E-commerce channel to grow the Timex product portfolio. The Company also has in place an omni channel strategy to reap benefits of e-commerce. It started online sales of its products through its website www.timexindia.com which provides a direct sales channel to ultimate consumer.

Increasing Marketing initiatives:

To take the brand to the next level, we will invest further to increase the visibility and aspiration for our different brands. Innovative methods will be used to win the battle at the shop floor with the world class display and promoters. Digital marketing and Social media will engage with consumers directly. Press /TV advertisement will be used to make announcements about new launches or consumer promotions.

Strengthening our manufacturing capability:

With the increase in custom duty on imported watches, the India manufacturing facility has become more important to drive growth. We will be assembling Versus brand of watches in India and also looking at assembling other traded brands. The manufacturing facility in India has become an important manufacturing hub for India as well as group companies globally. This will support the growth of both the top line and bottom line of the Company.

Internal and External stakeholder support:

The Company enjoys the support of highly engaged and motivated employees with very low attrition rate which will continue to take the Company to the next level of growth. Suppliers and trade and institutional sales partners have always contributed their best for the Company's growth.

Managing Regulatory changes:

We are fully equipped with the IT infrastructure to comply with all regulatory changes. Trade partners as well as vendors will continue to be supported by us to adapt to the new regulatory requirements as well as Timex Group's global requirements. The Company has well designed systems and processes in place to ensure updation and compliance with all regulatory changes.

OPPORTUNITIES AND CHALLENGES

The Indian watch industry has strong growth potential which is substantiated by the following factors:

1. Only 35% of population wear wrist watches and only 5% of them own multiple watches.
2. Emerging middle class with the growing disposable income and purchasing power is expected give a boost to the watch industry.
3. Increased demand in fashion brands and premium priced watches by young population with improved education will improve the average prices and product margins.
4. E-commerce, online and omni channels will bring the next

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level of growth for watch industry.

5. New technology and advance hi-tech products including fitness trackers and smart watches will create excitement and grow the market.
6. The Company will continue to grow in double digit with its strong product portfolio, brand perception and customer service.

RISKS & THREATS

A well-defined risk management framework has been put in place to identify, evaluate and assess the potential risks and challenges and determine the processes to mitigate and manage the same. A Committee comprising of senior management executives has been constituted to periodically review and assess the key risks in consultation with the functional managers. Detailed exercise has been carried out to identify, evaluate, manage and monitor the potential risks to the operations of the Company. The Board periodically reviews the risks and suggests steps to be taken to mitigate and manage the same.

The below specific key risks have been identified by the Company:-

• Financial Risk

1. The accumulated losses have eroded substantial part of net worth of the Company. However, the Company has improved its operational performance significantly over the last couple of years and as a result has reported profits in the year 2017-18. Accumulated losses will be wiped off from profits over a period of time. As per Company's business plans, its funding requirements will be comfortably met through internal accruals and borrowings from Banks.
2. There is a risk on the Company's margins due to adverse fluctuation in the foreign exchange as the Company imports substantial amount of inputs. Continued efforts to indigenise will help protect the Company from any adverse exchange rate fluctuations.

• External Environment

1. Fashion category is the fastest growing watch category. Fitness trackers and smart watches, though at a nascent stage of development, will continue to grow. To cater to fashion segment, the Company has added more international brands, such as Cerruti 1881, Gant and Nautica, into its product range. The launch of Timex I Blink fitness watch cum tracker with SOS feature has been a great success.
2. With the increase of internet usage, online sales will grow faster than the distribution channel. The Company has adopted omni channel sales model and started online sales through its website www.timexindia.com to tap the online consumers.
3. Mobile handset manufacturers and technology companies are investing on wearable technology. Wellness companies also are launching bands which are an extension to their health apps. Technology companies are tying up with various watch manufacturers to integrate technology with watches. The Company believes that continuous innovation is key to success. Timex Group Global Design Centre located in Milan, and the Global Supply Chain organization supports the Company to create differentiation and bring cutting edge technology and designs to a highly competitive marketplace. By thinking and acting both locally and globally, we are constantly challenging ourselves to look at the future.
4. Fake / counterfeit products have posed a big problem for the industry. The Industry needs to counter this collectively. The Company has been regularly taking legal action against counterfeiters.

• Internal Environment

Import of raw material may get affected due to external environment. The Company is integrating with Timex Global supply chain to develop alternate indigenous vendors.

• Other Risks

Risks relating to information technology (IT), business continuity and disaster management, retention of key personnel, compliance of various laws, contractual obligations, risks relating to the general macroeconomic environment including risks associated with political and legal changes, changes in tax structures, commercial rules & laws are analyzed regularly and measures are taken to mitigate the same.

DIRECTORS

Composition

The Board of Directors comprises eight (8) Directors consisting of four (4) Independent Directors, three (3) Non-Executive Directors and One (1) Managing Director.

Appointment/ Resignation from the Board of Directors/Key Managerial Personnel

Mr. Tobias Reiss Schmidt was appointed as an additional director of the Company with effect from January 31, 2018. He holds the office until the forthcoming Annual General Meeting. The Company has received requisite notice pursuant to Section 160 of the Companies Act, 2013 from a member proposing the candidature of Mr. Tobias Reiss Schmidt as Director of the Company. The Board recommends his appointment as Director of the Company, liable to retire by rotation.

Mr. David Thomas Payne resigned from the position of director with effect from January 30, 2018. He was again appointed as an Additional Director and Chairman of the Company with effect from April 20, 2018. He holds the office until the forthcoming Annual General Meeting. The Company has received requisite notice pursuant to Section 160 of the Companies Act, 2013 from a member proposing the candidature of Mr. David Thomas Payne as Director of the Company. The Board recommends his appointment as Director of the Company, liable to retire by rotation.

Ms. Sharmila Sahai has been re-appointed as the Managing Director of the Company for a term of one year with effect from November 18, 2017 which has been approved by the shareholders through postal ballot on April 13, 2018.

Mr. Colin Davis Arsenaull resigned from the position of director and Chairman of the Company with effect from April 16, 2018.

In accordance with Section 152 of the Companies Act, 2013 and Articles of Association of the Company, Mr. Anil Malhotra retires by rotation as a Director, and being eligible, offers himself for re-appointment. The Board recommends his re-appointment as a Director.

There was no change in the Key Managerial Personnel during the year.

Declaration by the Independent Directors

All Independent Directors have submitted declarations confirming that they meet the criteria of independence, as prescribed under Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Independent Directors have also confirmed compliance with the Company's code of conduct during the FY 2017-18.

Number of meetings of Board of Directors

Four Board meetings were held during the financial year 2017-2018 on May 25, 2017, September 11, 2017, November 6, 2017 and January 31, 2018. All directors attending the meeting actively participated in the deliberations at these meetings. The intervening gap between any two meetings was within the period

prescribed under the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. More details of the Board meetings have been provided in the 'Report on Corporate Governance'.

COMMITTEES OF THE BOARD

The Board has constituted the following Committees pursuant to the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Companies Act, 2013.

1. Audit Committee
2. Nomination and Remuneration Committee
3. Stakeholders' Relationship Committee
4. Corporate Social Responsibility Committee
5. Share Allotment and Transfer Committee

More details with respect to the composition, powers, roles, terms of reference, etc. of these Committees are given in the 'Report on Corporate Governance' of the Company which forms part of this Annual Report.

REMUNERATION POLICY

The Board of Directors has adopted a Policy on Directors appointment and remuneration, including criteria for determining qualifications, positive attributes and independence of the Directors and other matters as per sub-section (3) of Section 178 of the Companies Act, 2013. This Policy is attached as **Annexure A** and forms an integral part of this Report.

EMPLOYEE REMUNERATION

Pursuant to the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are provided in the Annual Report, which forms part of this Report.

Disclosures relating to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in the Annual Report, which forms part of this Report.

Having regard to the provisions of the first proviso to Section 136(1) of the Act, the Annual Report excluding the aforesaid information is being sent to the members of the Company. The said information is available for inspection at the Registered Office of the Company during working hours and any member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request.

FORMAL ANNUAL EVALUATION

The Board has carried out performance evaluation of itself, its Committees and each of the Directors (without participation of the concerned director). Independent Directors collectively evaluated the Board's performance, performance of the Chairman and other non-independent Directors. The Nomination and Remuneration Committee also reviewed the performance of the Board, its Committees and of the Directors.

The performance evaluation concluded on the note that each of the individual directors, Committees and the Board as a whole, were performing efficiently and effectively and shared a common vision to turn organization goals into reality.

VIGIL MECHANISM

The Company has in place a Whistle Blower Policy which provides a mechanism for employees / Board Members and others to raise good faith concerns about violation of any applicable law/ Code of Conduct of the Company, gross wastage or misappropriation of funds, substantial or specific danger to public health and safety, abuse of authority or unethical behaviour and to protect the individuals who take such actions

from retaliation or any threat of retaliation and also provides for direct access to the Chairman of the Audit Committee. The functioning of the Vigil mechanism is reviewed by the Audit Committee from time to time.

The Whistle Blowers are not denied access to the Audit Committee of the Board. The details of the Whistle Blower Policy are given in the Report on Corporate Governance and are also available on the website of the Company at the link www.timexindia.com.

POLICY ON PREVENTION OF INSIDER TRADING

In terms of the SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company has framed a) Code of Internal Procedures and Conduct for Regulating, Monitoring and Reporting of Trading by Insiders and b) Code of Fair Disclosure. The Company's Code, inter alia, prohibits dealing in the shares of the Company by an insider, while in possession of unpublished price sensitive information in relation to the Company and also during certain prohibited periods.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

There were no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review and hence the said provision is not applicable.

RELATED PARTY TRANSACTIONS

The Board has, on the recommendation of the Audit Committee, adopted a policy to regulate transactions between the Company and its Related Parties. This Policy is in compliance with the applicable provisions of the Companies Act 2013, the Rules there under and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This Policy has been uploaded on the website of the Company at www.timexindia.com.

All related party transactions entered during the year under review were in the ordinary course of business, on arm's length basis and were in compliance with the applicable provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. For transactions which are foreseen and repetitive in nature, omnibus approval of Audit Committee is obtained at the beginning of the financial year. A statement of all Related Party Transactions is placed before the Audit Committee for its review on a quarterly basis, specifying the nature, value and terms and conditions of the transactions.

No material related party transaction was entered during the financial year. Accordingly, the disclosure required under section 134(3) (h) of the Companies Act, 2013 in Form AOC-2 is not applicable to the Company. The details of the related party transactions entered during the year are given in the financial statements of the Company.

FINANCE

The Company has not invited nor holds any fixed deposits. There were no overdue / unclaimed deposits as on 31st March 2018.

During the year under review, the Company made payment, net of credits, aggregating to Rs. 3,684 Lakh by way of Central, State and local sales taxes and duties as against Rs. 4,356 Lakh in the previous year.

SEGMENT WISE REPORTING

The segment wise information is provided in the Notes to the Accounts.

LISTING

The Equity Shares of the Company are listed on the BSE Ltd. The annual listing fee for the year 2018- 2019 has been paid to the Exchange.

INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY

Adequate internal control systems, commensurate with size, scale and complexity of Company's operations have been put in place to ensure compliance with policies and procedures. The Company has also adopted policies and procedures for ensuring the orderly and efficient conduct of its business, safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures.

The internal control mechanism comprises a well-defined organization, which undertakes time bound audits and reports its findings to the Audit Committee, documents policy guidelines and determines authority levels and processes.

The Audit Committee regularly reviews the systems and operations to ensure their effectiveness and implementation. The Internal Auditors and Statutory Auditors regularly attend Audit Committee meetings and convey their views on the adequacy of internal control systems as well as financial disclosures. The Audit Committee is briefed about the corrective actions taken by the management on the audit observations. The Audit scope is regularly reviewed by the Audit Committee for enhancement/modification of scope and coverage of specific areas. The Statutory Auditors review the internal financial controls periodically.

AUDITORS AND AUDITORS' REPORT

a. Statutory Auditors

M/s Deloitte Haskins & Sells LLP, Chartered Accountants (Firm Registration No. 117366W/W-100018), were appointed as the Statutory Auditors of the Company by the shareholders in their 29th annual general meeting, to hold office for a period of 5 years from the conclusion of 29th Annual General Meeting till the conclusion of 34th Annual General Meeting.

The Board of Directors has, in its meeting held on May 24, 2018, on the recommendations of the Audit Committee, recommended to the shareholders the ratification of appointment of M/s Deloitte Haskins & Sells LLP as the Statutory Auditors of the Company. The Company has received their written consent and a certificate that they satisfy the criteria provided under section 141 of the Act and that the ratification of appointment, if made, shall be in accordance with the applicable provisions of the Act and the rules framed thereunder.

During the year under review, the Auditors had not reported any matter under Section 143 (12) of the Act, therefore no detail is required to be disclosed under Section 134 (3)(ca) of the Act.

The Report given by M/s Deloitte Haskins & Sells LLP, Statutory Auditors on the financial statement of the Company for the year 2017-18 is part of the Annual Report. There is no qualification, reservation or adverse remark or disclaimer in their Report.

b. Secretarial Auditors and Secretarial Audit Report

M/s NKJ and Associates, Company Secretaries (Certificate of Practice No. 5233) have carried out the Secretarial Audit of the Company for the financial year 2017-18. The Report given by the Secretarial Auditors is annexed as **Annexure B** and forms integral part of this Report. There is no qualification, reservation or adverse remark or disclaimer in their Report. During the year under review, the Secretarial Auditors had not reported any matter under Section 143 (12) of the Act, therefore no detail is required to be disclosed

under Section 134 (3)(ca) of the Act.

In terms of Section 204 of the Companies Act, 2013, the Audit Committee recommended and the Board of Directors appointed M/s. NKJ & Associates, Company Secretaries (Certificate of Practice No. 5233) as the Secretarial Auditors of the Company in relation to the financial year 2018-19. The Company has received their consent for appointment.

HUMAN RESOURCES

The Company continued its efforts to attract, develop and retain the right talent. In this direction, salary benchmarking and revision was done for the critical positions. To ensure seamless availability of strong leadership, the Company has decided to embark upon a succession planning journey for critical roles at the senior leadership.

Training calendar has been developed to enhance the skills of the employees at all levels. Various training programmes including product training, Global Online Learning Management Solution etc. were conducted during the year. The Company also focused on conducting various employee engagement activities at all locations throughout the year to keep the employees fully motivated and aligned.

In order to imbibe and strengthen the culture of performance and meritocracy at all levels of the organisation, the employees continued to focus on smart KRAs and KPIs in line with the Company's growth strategy and plan. The online performance management system, 'Workday', has been put in place for setting up of smart goals and objectives of all employees and thereby tracking it on a regular basis. Appraisals are also linked with these smart goals and objectives.

The Company comprises a small team of professionals, who are result oriented, committed and loyal. As on 31st March 2018, the Company had 381 employees on its rolls.

SECRETARIAL STANDARDS

The Directors state that applicable secretarial standards, i.e. SS-1 and SS-2, relating to 'Meetings of the Board of Directors' and 'General Meetings', respectively, have been duly followed by the Company.

MATERIAL CHANGES

No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year of the Company i.e. 31st March, 2018 and the date of Directors' Report i.e. 24th May, 2018.

Further, there were no significant or material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

EXTRACT OF ANNUAL RETURN

The extract of the Annual Return of the Company is annexed herewith as **Annexure C** and forms an integral part of this Report.

CORPORATE GOVERNANCE

As per Regulation 34(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, a separate section on Corporate Governance together with a certificate from the practicing Company Secretary confirming compliance is set out in the Annexure forming part of this report.

CONSERVATION OF ENERGY

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo, as required to be disclosed under Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, is provided in **Annexure D** to this Report forming an integral part of this report.

DEMATERIALIZATION

The equity shares of the Company are being compulsorily traded in dematerialized form. As on 31st March 2018, 24627 shareholders representing 97.24% of the Equity Share Capital are holding shares in dematerialized form.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies Act, 2013, the directors to the best of their knowledge and ability confirm that:—

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors have prepared the annual accounts on a going concern basis; and
- (e) the directors have laid down proper internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.
- (f) The directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

CAUTIONARY STATEMENT

Statements in the Board's Report and the Management Discussion & Analysis Report describing the Company's objectives, expectations or forecasts may be forward looking within the meaning of applicable laws. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices, raw material availability and prices, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.

ACKNOWLEDGEMENTS

The Directors wish to place on record their appreciation for the support and cooperation, which the Company continues to receive from its customers, the watch trade, the New Okhla Industrial Development Authority, the Governments of Uttar Pradesh and Himachal Pradesh, the Banks / Financial Institutions and other stakeholders such as - shareholders, customers and suppliers, among others, and its employees. The Directors also commend the continuing commitment and dedication of the employees at all levels, which has been critical for the Company's success. The Directors look forward to their continued support in future.

For and on behalf of the Board of Directors

Place : Noida, U.P.
Date : May 24, 2018

Sd/-
David Thomas Payne
Chairman
DIN: 07504820

Annexure-A

NOMINATION & REMUNERATION POLICY

In accordance with the provisions of the Companies Act, 2013 the policies governing the appointment, removal and remuneration of the Board of Directors, Key Managerial Personnel and Senior Management Personnel of Timex Group India Ltd. (hereinafter referred to as "the Company") are outlined below.

The policy is framed with the following objective(s):

- a) to lay down the criteria to identify person/s who are qualified to become Directors, Key Managerial Personnel and Senior Management on the basis of which the Committee can recommend to the Board the appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- b) to lay down the criteria to evaluate the performance of the Board as an entity, the members of the Board, Board Committees, Key Managerial Personnel and Senior Management.
- c) to define the policy for remuneration of directors, Key Managerial Personnel, senior management and other employees.

In the context of the aforesaid objectives, the following policy has been formulated by the Nomination and Remuneration Committee and adopted by the Board of Directors at its meeting held on May 26, 2016.

I. DEFINITIONS

- a. Key Managerial Personnel: Key Managerial Personnel means—
 - (i) Chief Executive Officer or the managing director or the manager;
 - (ii) Company Secretary,
 - (iii) Whole-time Director;
 - (iv) Chief Financial Officer; and
 - (v) such other officer as may be prescribed by the Committee from time to time.
- b. Senior Management: Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors. This will include all members of management one level below the executive directors including all functional heads. Senior Management of Timex Group India Limited includes personnel heading the following functions of the Company: Finance, Sales, Luxury, Legal, Marketing, Human Resources, Supply Chain and Product. The positions included in Senior Management could change in future if there are changes in roles and structure of the Company.
- c. Board: Board means the Board of Directors of Timex Group India Limited.
- d. Committee: Committee means the Nomination and Remuneration Committee of Timex Group India Limited.

II. CRITERIA FOR IDENTIFYING PERSONS WHO ARE QUALIFIED TO BE APPOINTED AS DIRECTORS / KEY MANAGERIAL PERSONNEL / SENIOR MANAGEMENT PERSONNEL OF THE COMPANY:

- a. **Directors**
The Nomination and Remuneration Committee shall identify the persons who are qualified to become Directors in accordance to the criteria which includes, but are not be limited to-
 - Financial and Business skills and experience to contribute to the strategy / risk / people / financial / legal / governance aspects of the Company's business;

- Personal specifications including integrity and probity, interpersonal communication and representational skills, Demonstrable leadership skills;
- the extent to which the appointee is likely to contribute to the overall effectiveness of the Board;
- the nature of existing positions held by the appointee including directorships or other relationships and the impact they may have on the appointee's ability to exercise independent judgment;
- Willingness to devote sufficient time and attention to the Company's business and discharge their responsibilities;
- At the time of appointment, the number of Boards on which such Director serves (including as an alternate director) are not more than 9 publicly listed companies and 19 companies overall (excluding Directorship of the Company if appointed),
- The proposed appointee is not disqualified to become a director in terms of Section 164 of the Companies Act, 2013.

b. Independent Directors

In addition to the above, a person proposed to be appointed as an Independent Director should meet the below mentioned parameters –

- Should be in compliance to the definition of Independent Director as given under Section 149 of the Companies Act, 2013 and Regulation 16(1) (b) of SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015.
- Possess qualifications as mentioned in Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014.
- At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to six listed companies (excluding the directorship of the Company) as an Independent Director; however if the person is a Whole Time Director in any listed company, then the number of directorships the person can hold excluding directorship of the Company, cannot exceed two.

c. Senior Management Personnel and Key Managerial Personnel and Other Employees

The Company has drafted job descriptions and job specifications against all positions. The proposed appointees are hired as per the laid down job description and job specifications.

Any new hire in the Company are assessed against a range of criteria which includes but are not limited to –

- Job knowledge, relevant experience, ability, academic achievements and qualifications, performance track record, potential, maturity, customer focus, integrity, skills, background and other qualities required to operate successfully in the position.
- Personal specifications including integrity and trust, communication and business acumen, interpersonal skills, teamwork and collaboration.
- The extent to which the appointee is likely to contribute to the overall effectiveness of the organization

III. EVALUATION OF DIRECTORS/ SENIOR MANAGEMENT / KEY MANAGERIAL PERSONNEL

Section 149 of the Companies Act, 2013 read with Schedule IV of the said Act states that the Independent Directors shall at a separate meeting –

- review the performance of non-independent directors
- review the performance of the Board as a whole
- review the performance of the Chairperson of the Company, taking into accounts views of executive directors and non executive directors

The performance evaluation of Independent Directors shall be done by the entire Board of Directors excluding the Director being evaluated. The performance evaluation of Board Committees shall be done by the entire Board of Directors.

The evaluation/assessment of the Directors, Board, Board Committees, Chairperson, Key Managerial Personnel's and the senior officials of the Company is to be conducted on an annual basis.

a. Executive Directors:

The Executive Directors shall be evaluated on the basis of targets and responsibilities assigned to executive Directors by the board from time to time. In addition, executive directors shall also be evaluated on the basis of below personal abilities.

- Innovation and Creativity
- Integrity and Trust
- Business Acumen
- Professional Courage
- Communicates Effectively
- Initiative
- Teamwork and Collaboration
- Customer Focus
- Global Mindset / External Focus
- Practices Continuous Improvement

b. Non Executive Director:

The Non Executive Directors shall be evaluated on the basis of the following criteria:

- Commitment to the fulfillment of a director's obligations and responsibilities as defined in the Appointment letter, Companies Act, 2013 and SEBI(Listing Obligations and Disclosure Requirements) 2015;
- Active participation in, and contributions to, long term strategic planning / risk assessment and mitigation / talent and people management / financial management / governance aspects of the Company's business.
- Assist the company in implementing the best corporate governance practices;
- Assist the company by outlining best practices to address key issues of the company;
- Assist the company in getting access to information or resources externally as and when required.

c. Chairperson

The performance of the Chairperson of the Company shall be evaluated taking into accounts views of executive directors and non executive directors on the following parameters-

- leadership of the board
- role in setting its agenda;
- ensuring the provision of accurate, timely and clear information to directors;
- ensuring effective communication with shareholders;